Verity Trustees Limited

Statement of Investment Principles – Defined Contribution Schemes

1. Purpose

Verity Trustees Limited ("VTL" or "the Trustee") is the corporate trustee of The Pensions Trust. The Pensions Trust incorporates both Defined Benefit ("DB") and Defined Contribution ("DC") pension schemes.

The Trusts are centralised occupational pension funds for non-associated employers.

This Statement of Investment Principles ("SIP") sets out the Trustee's policy on various matters governing decisions about investment of the DC assets.

It has been prepared to meet the requirements of:

- The Pensions Act 1995 (as amended);
- The Occupational Pension Schemes (Investment) Regulations 2005 and subsequent amendments;
- Relevant guidance from The Pensions Regulator (TPR).

This SIP has been prepared after obtaining and considering written professional advice from advisers whom the Trustee believes to be suitably qualified and experienced to provide such advice.

2. Date of Adoption – 1 October 2026

The Trustee will review this SIP from time to time and, with the help of its advisers, will amend it as appropriate. These reviews will take place without delay after any significant change in investment policy or any changes in the demographic profile of members of the default arrangement, and at least once every three years.

3. Governance

The Trustee retains ultimate responsibility for determining the investment policy of the schemes. The Trustee has delegated investment decisions and stewardship of the default arrangement to AllianceBernstein. The default arrangement is, broadly, the fund into which members' accounts are invested if they do not exercise a choice of investments.

AllianceBernstein advises the Trustee with respect to the design of the investment strategy and the suitability of investments, and undertakes the day-to-day management of the default arrangement in line with the agreed strategy, guidelines and constraints. This includes the appointment and monitoring of one or more investment managers, who are in turn responsible for the day-to-day management of the underlying investments.

To ensure safekeeping of the assets, custodian organisations will have day-to-day control of the assets. Those custodians are independent of the sponsoring employers and the investment managers.

4. Investment Beliefs & Principles

The Trustee has established a set of investment beliefs that provide a clear framework for long-term decision making and guide the design of the schemes' investment strategies.

The Trustee believes that the impact of Environmental, Social and Governance (ESG) factors, including climate change and other ESG-related risks and opportunities, can be financially material and should be assessed over the appropriate time horizon. The Trustee has adopted a dedicated set of Responsible Investment Principles, which reinforce the central role of stewardship and the integration of ESG factors in protecting and enhancing long-term value.

Together, these beliefs and principles underpin the Trustee's approach to investment strategy, manager oversight, and stewardship. Both are reviewed annually and made publicly available on TPT's website.

In addition, the Trustee considers non-financial matters – as defined in the Occupational Pension Schemes (Investment) Regulations 2005 – which include members' and beneficiaries' ethical views, and their views on social and environmental impact and quality of life. These views are taken into account where practicable and consistent with the Trustee's duties.

The Trustee recognises that individual members have differing investment needs, that these may change during the course of members' working lives, and that members have differing attitudes to risk. The Trustee has established a suite of funds based on the 'Target Date Fund' concept, i.e. funds that do not require members to make their own investment decisions and are designed to be suitable for members' own individual expected retirement dates.

For those members who do wish to make their own investment decisions, self-select investment funds are available. The Trustee offers a range of self-select funds with diversification of asset class and risk to reflect the full range of membership. A suite of ethical Target Date Funds is available within the default option for members who wish to invest in accordance with ethical considerations and the Trustee's Ethical Investment Framework. The Framework is reviewed annually and is available on TPT's website.

5. Investment Objectives

The aims and objectives of the default arrangement and default investment strategy are to provide an investment return in excess of inflation (measured by CPI). AllianceBernstein seeks to dampen the impact of short-term market moves by adjusting the asset allocation tactically. Over the life of the funds, the strategic asset allocation shifts so that as a member approaches retirement the exposure to growth assets (such as equities) is reduced in favour of more defensive, less volatile assets (such as bonds). This default strategy and the aims and objectives of the default arrangement are intended to ensure that assets are invested in the best interests of members and their beneficiaries. The self-select funds are chosen by members who bear the risks associated with their chosen fund(s).

6. Investment Strategy

The Trustee determines the targets for the default arrangement and self-select funds. The long-term performance of the Target Date Funds comprising the default depends on the asset allocation strategy and the Trustee has appointed AllianceBernstein to oversee the asset allocation of the passive funds comprising the default arrangement to ensure appropriate risk-adjusted returns.

The performance of the default arrangement and the self-select funds is monitored on a quarterly basis by the Investment Oversight Committee and reviewed annually in conjunction with the managers of the funds.

The ongoing suitability and objectives of the default arrangement and the range of self-select funds are also reviewed annually by the Trustee in conjunction with its Investment Consultant, taking into account member feedback and benchmarking material provided by the Investment Consultant.

Policy on investing in illiquid assets

The Trustee recognises the potential role of illiquid assets in enhancing long-term member outcomes and has agreed to include a strategic allocation to private credit within the default arrangement. This means that a portion of members' savings will be invested in loans to private companies and other credit opportunities which are not typically available in public markets. These investments are held through specialist pooled funds rather than directly, and are mainly targeted at members in young and mid-life age groups. The Trustee considers that investing in private credit can improve expected returns over the long term by accessing an illiquidity premium. It can also provide diversification and offer contractual income streams and risk protections that help manage risk.

7. Implementation of the Investments

The default funds and the self-select options invest in a range of (mainly) index tracking funds which are provided by leading investment houses. Regular meetings are held with the provider and the investment manager to assess protection for members and contingency plans. All funds are accessible on a daily basis.

The Trustee recognises that portfolio turnover – the buying and selling of investments – and associated transaction costs are a normal part of investment management. These costs are monitored via reporting provided by AllianceBernstein.

The Trustee's view is that the fees paid to AllianceBernstein and the underlying investment managers are appropriate and, together with the possibility that their mandates can be terminated, ensures they are incentivised to provide services that meet the stated objectives.

8. Risk Management

Risk appetite is a measure of how much risk the Trustee is willing to bear within assets in order to meet its investment objectives. Taking more risk is expected to mean that objectives can be achieved more quickly, whilst recognising this can also increase the likelihood that objectives are not met. Risk capacity is a measure of the extent to which the Trustee can tolerate deviation from its long-term objectives before attainment of those objectives is impaired. The Trustee aims to strike the right balance between risk appetite and risk capacity.

The Trustee recognises that there are a number of different types of risk that are important to identify, monitor, and manage, including:

- Counterparty risk;
- Concentration risk;
- ESG and climate risk;
- Liquidity risk;
- Manager risk.

A detailed description of key risks identified by the Trustee and the associated mitigation measures is provided in the appendix to this SIP.

Operational controls

Investments are held by custodians. Only authorised persons can instruct investment transactions, including the transfer of assets between managers. Each investment manager makes investment decisions within control ranges agreed with AllianceBernstein, which are reviewed from time to time.

9. Responsible Investment, ESG & Non-Financial Matters

The Trustee is committed to being a long-term, responsible steward of capital. In line with its duties, it recognises that material ESG factors – including but not limited to climate change, biodiversity loss, and human rights – can influence investment risk and return over time. These considerations are integrated into the Trustee's approach to risk management and portfolio resilience via its Responsible Investment Framework. Reviewed annually, the framework sets out the Trustee's policies on: Fund Manager Selection and Monitoring; Voting and Engagement; Climate Change; Human Rights; Deforestation; Controversial Weapons; Stewardship and

Communication.

Implementation of the framework is delegated to AllianceBernstein. The framework is publicly available on TPT's website. The Trustee, supported by the Investment Oversight Committee, oversees AllianceBernstein's implementation.

10. Stewardship Policy

By delegating stewardship responsibilities to AllianceBernstein, the Trustee expects voting and engagement activities are applied consistently, continuously improved, and subject to rigorous oversight.

Voting

AllianceBernstein does not generally vote directly on matters concerning the underlying investments. Instead, voting rights are exercised by the underlying investment managers, as they are considered best placed to make informed decisions given their knowledge of their investment strategies and the access they have to company management.

AllianceBernstein monitors each manager's voting activity to ensure that:

- Voting records are reviewed regularly;
- Votes align with stewardship priorities;
- Significant or contentious votes are flagged for review;
- Divergences from policy expectations are investigated and, if necessary, escalated.

AllianceBernstein expects the managers to vote in line with recognised standards, including the Pensions UK Corporate Governance Policy and Voting Guidelines, and the G20/OECD and ICGN global governance principles. Similar expectations apply to non-UK holdings regarding transparency, board accountability, and shareholder rights.

Where permitted by the investment structure and operational arrangements, the Trustee retains the right to communicate a voting preference or direct a vote on high-priority issues.

Engagement

Engagement is a central tool for responsible investment, used to promote positive change and protect the long-term value of assets. Engagement is undertaken primarily by the appointed investment managers with investee companies and other issuers. AllianceBernstein oversees these activities and may also undertake selected direct, joint or collaborative engagements where these align with the Trustee's stewardship priorities.

AllianceBernstein retains oversight of engagement priorities and outcomes and has escalation procedures in place for cases where progress is insufficient. Voting and engagement policies are set out in the Responsible Investment Framework, available on TPT's website.

11. Monitoring & Review

The Trustee maintains a structured process for monitoring investment performance, policy alignment, and member outcomes.

Manager oversight and policy alignment: All investment managers are subject to ongoing review, with activities assessed against stated objectives and policies. Where concerns arise, these are addressed through formal review meetings, with outcomes informing mandate continuation and escalation decisions. Mandates may be amended or terminated if performance or policy alignment is unsatisfactory. Investment managers are required to provide quarterly reports covering investment performance, risk metrics, ESG integration, voting activity, and engagement outcomes.

AllianceBernstein reporting: Regular reporting is provided to the Trustee coveringinvestment performance and attribution, risk measurement, ESG integration, and stewardship outcomes.

Asset allocation review: The Trustee regularly reviews the asset allocation of its DC investments to ensure they are appropriately diversified and consistent with the relevant return objective.

SIP review: This SIP is reviewed at least every three years, and without delay following any significant change in investment policy.

12. Realisation of Investments

The default funds are structured as unitised products, dealt on a daily basis and therefore readily realisable. Units are purchased in bulk within the underlying funds and subsequently allocated to individual members. Although a portion of the default arrangement is invested in illiquid assets, the Trustee's policy is to maintain sufficient liquidity to ensure that asset realisations are not unduly costly and do not disrupt the default arrangement or the overall investment strategy under foreseeable circumstances.

13. Compliance Statements

The Trustee will consult participating employers before making material changes to this SIP.

A common investment policy is offered to all employers, with the Target Date Funds being offered as the default and members able to choose from a range of self-select options. Fact sheets on all the funds are available to members on TPT's website.

Appendix: Key Risks and Mitigation

The following table outlines key risks identified by the Trustee. The list is not exhaustive. All risks are assessed and monitored regularly.

Risk	Description	Mitigation
Counterparty	Failure of a counterparty to meet contractual obligations (e.g. due to default).	Set high minimum credit ratings for counterparties; limit exposure to any single counterparty; require collateral for financial contracts to reduce potential loss.
Costs and charges	Excessive investment management, custody, or transaction costs reduce net returns.	Monitor costs and charges; assess value for money when appointing and retaining managers; ensure transparency of cost disclosures in line with industry standards.
Credit	Risk of default by issuers of financial assets, or market-wide deterioration in credit quality.	Impose limits on the amount and type of credit assets held; maintain diversification by issuer and credit rating.
Concentration	Excessive concentration in a single issuer, related issuers, or sector.	Maintain an appropriate spread of assets across and within asset classes through the overall investment arrangements and perform regular scenario testing.
ESG & climate change	Financial risks arising from ESG factors, including climate change impacts.	Apply a Responsible Investment Framework, which embeds ESG risk management in decision making, sets climate change expectations, and outlines engagement and monitoring of managers.
Foreign exchange	Losses from unhedged overseas investments.	Consider the use of a foreign currency hedging programme.
Illiquidity	Inability to sell assets quickly or at fair market value.	Set prudent limits on illiquid asset holdings and monitor exposure regularly.
Manager	Persistent underperformance by an investment manager.	Robust manager selection and monitoring; diversify across managers; set tracking error limits and performance targets.
Operational	Losses from inadequate processes, systems, personnel, or external events, including custody or transfer failures.	Maintain robust, documented processes operated by trained staff; test systems; maintain business continuity plans.
Political and geopolitical	Financial risks arising from political or geopolitical developments, including changes in government policy, legislation or regulation, political instability, conflict, sanctions and trade restrictions.	Maintain appropriate diversification across markets, regions and asset classes; monitor material political and geopolitical developments and their potential portfolio impacts.
Strategic Investment	The chosen long-term strategy fails to deliver the expected return or risk profile.	Set and monitor risk measures and limits; review strategic allocations regularly; consider valuation metrics when assessing investments.

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